

## THE ANNUAL REPORT

The reporting cycle since January 1, 2008 to December 31, 2008

The joint-stock company "Gubernija" (hereinafter- the Company) was registered on May 5, 1993. The code of the Company is 144715765. The address of the seat is Dvaro g. 179, LT-76176 Šiauliai. The e-mail is: [info@gubernija.lt](mailto:info@gubernija.lt). The internet address is [www.gubernija.lt](http://www.gubernija.lt)

### *Short description of the history of the Company*

GUBERNIJA is the oldest industrial brewery working in Lithuania which has developed from the manufactory manor house and the brewery. It is known that in the year 1682 its products reached not only different places in Lithuania, but also a part of western Belarus and Minsk. There is a document dated in the second half of the XVII th century in the historic archives of Radvilos in Warsaw where the brewery of Šiauliai manor is described in details. "GUBERNIJA" brewery is justly considered as the oldest brewery in Lithuania.

The first reconstruction of "GUBERNIJA" brewery which started in 1799 lasted more than ten years. The second reconstruction took place in the last decade of the XIX th century and the beginning of the XX th century. Till the end of the XIX th century all works were manual. Beer was tipped off only into casks and only since the end of the XIX th century bottles came into the use.

During the Second World War "GUBERNIJA" brewery was destroyed badly and burnt but in August, 1944 it started working again. The brewery developed little by little. In 1982 a spacious room for bottling was opened, in 1985 a new administrative building was built. In 1996 after privatization of "GUBERNIJA" brewery, a new period of the brewery history started. In 1999 a material reconstruction of the brewery was begun. A modern brewery with forward technologies was built in the territory of the Old Gubernija.

### *The lawful base of the activities and the review*

AB "GUBERNIJA" in its practice follows the Laws on Joint-stock companies of the Republic of Lithuania, Laws on Securities' market, other laws and regulatory acts of the Republic of Lithuania, statutes, and the accounting policy of the Company.

The Company has got its specialty shops at Dvaro 179, V.Kudirkos 44 A, Vilniaus g.15 A, Lyros g. 13, Birutės g. 37 in Šiauliai, at Juozapavičiaus pr. 10A, in Kaunas, at Šaltupio g.26, in Anykščiai, at Taikos pr.115-119, Naikupės pr.44, in Klaipėda, at Kęstučio g. 4, in Kretinga, at Gerosios Vilties 18A, and Vytauto g.39 in Vilnius. The Company has got an agency and the warehouse of the wholesale (M. Slezevičiaus g. 7, Vilnius).

AB "GUBERNIJA" belongs to the brewers' association of Lithuania, but since July 2, 2008 membership of AB "Gubernija" in the activities of Lithuanian brewers' association is suspended. Also AB "Gubernija" belongs the industrialists' association of Šiauliai.

The main direction of the activities of the Company is production and sales of beer, beer drinks, cider, and kvass. The Company constantly renews the assortment of production and pays a lot of attention to the quality.

The Company has been working into a loss already for some years, but the recent years were very complicated because the Company works in difficult financial conditions and under other indefinite factors which may have influence on the perspectives of the activities for the Company. The first quarter of the year 2008 was particularly complicated for activities: there was a lack of the assets, prices of the stocks, substances, services and energetic resources became higher. Due to the lack of the main stocks and other substances necessary for the production the Company reduced the assortment of the production. The Company only partially complies the orders of the main customers, other orders are complied partially or are not complied at all. Observing this, the suppliers of the stocks, substances and services began to require prepayments for sold goods of AB "Gubernija" and debts.

General manager Romas Bubnelis resigned on April 17, 2008. Mr. Povilas Stumbrys was elected as the general manager since April 29, 2008.

Refusing inexpedient contracts of the production supplying, performing some structural changes in the activities of the Company, and mobilization of inner reserves helped to stabilise the situation only in the end of June.

During the year 2008, a lot of actions were taken to review the prices of the sold production, refusing the loss-making export, inexpedient rent of the accommodation and the territories. Experienced in sales employees from the sales department resigned and new employees lack much experience. One of the major reasons of the complicated situation of the Company is the decrease in sales and a significant increase in the prices of malt and energetic resources. Beer and beer drinks in the structure of the products of the Company make 77, 5 percent of all sales, in the year 2008, there was made 1485, 1 thousand deciliters of beer, it is 878, 9 thousand deciliters less than in the year 2007.

Due to the decreased amount of the produced production permanent expenses for 1 dal of the production increased. The increase of the cost price was influenced by the rise in prices of energetic resources, the stock, labour, and the structural changes of production.

#### *Analysis of results from the financial activities*

In the year 2008 AB "Gubernija" worked into a loss (the loss before taxing was 6, 11 million Lt). That result was influenced by the decrease in sales and big changes of the personnel, though the profit before the interest, depreciation, and amortization (EBITDA) is positive- 1, 19 million Lt. The significant part of the expenses make depreciation of the permanent assets and amortization.

A lot of attention was paid to the control of the expenses and improvement of the activities in the year 2008, but positive results were not achieved..

On December 31, 2008 the corporate property of the Company was 44, 49 million Lt., the short-term assets on December 31, 2008 were 7, 6 million Lt, and short-term obligations were 19, 05 million Lt.

At this moment the financial situation is complicated. Taxes and debts to the suppliers are paid behind, dismissed employees and those who still work in the Company, also get their salaries behind. In order to prevent conflicts with the dismissed employees, contracts on the scheduled payments are

signed. In the end of the year the private capital of AB "Gubernija" became smaller than ½ of the authorized capital amount stated in the statutes. The management and the board of the Company have been informed about the current situation and have to make decisions to rectify the situation in three months.

#### Indicators of solvency

No	The title of the indicator	Calculation of the indicator	Period		Recommended size
			2008	2007	
1	General solvency	<u>Current assets</u> Payable sums and obligations in one year	0.40	0.50	1,2-2
2	Rate of solvency	<u>Current assets - reserves</u> Payable sums and obligations in one year	0.22	0.31	More than 1
3	Net circulating capital	<u>Current assets</u> Payable sums and obligations in one year	-11349246.00	- 9862836.00	>0

#### Indicators of indebtedness

No	The title of the indicator	Calculation of the indicator	Period		Recommended size
			2008	2007	
1	General indicator of indebtedness	<u>Payable sums and obligations</u> Assets in total	0.72	0.81	to 0.5
2	A floating debt	<u>Payable sums and obligations in one year</u> The capital and reserves	1.54	2.44	to 1.3
3	The ratio of money indebted in cash	<u>Money in cash + deposit accounts+ securities</u> Payable sums and obligations	0.01	0.01	from 0.8
4	Abolute ratio of money indebted in cash	<u>Cash in the account and the till</u> Payable sums and obligations	0.00	0.01	from 0.3
5	The coefficient of the debt and the joint-stock	<u>Payable sums and obligations in total</u> The capital and reserves	2.60	4.37	to 1

### Efficiency indicators of management of activities

No	The title of the indicator	Calculation of the indicator	Period		Recommended size
			2008	2007	
1	The turnover of payments	$\frac{\text{Sales and services Receivable sums and obligations in 1 year}}{\text{Sales and services}}$	10.1	8.7	
2	The turnover of payments in days	$\frac{\text{Receivable sums and obligations in 1 year} * 365}{\text{Sales and services}}$	36.1	41.9	30-60
3	The turnover of the current assets in times	$\frac{\text{Sales}}{\text{The current assets}}$	5.0	5.0	
4	The turnover of permanent assets in times	$\frac{\text{Sales}}{\text{The permanent assets}}$	1.0	1.5	
5	The turnover of total assets in times	$\frac{\text{Sales and services}}{\text{Assets in total}}$	0.9	1.2	1.6-1.8

### Indicators for the profitability of the Company

No	The title of the indicator	Calculation of the indicator	Period	
			2008	2007
1	General profitability	$\frac{\text{Gross profit}}{\text{Sales and services}}$	0.22	0.22
2	Net profitability	$\frac{\text{Net profit for distribution}}{\text{Sales and services}}$	-0.16	-0.12
3	Profitability of activities	$\frac{\text{Profit of activities}}{\text{Sales and services}}$	-0.10	-0.08
4	Profitability of usual activities	$\frac{\text{Profit of usual activities}}{\text{Sales and services}}$	-0.16	-0.12
5	Profitability of actives	$\frac{\text{Profit of the reporting year before taxation}}{\text{Assets in general}}$	-0.14	-0.14
6	Profitability of the private capital	$\frac{\text{Profit of the reporting year before taxation}}{\text{The capital and reserves}}$	-0.49	-0.73

### Evaluation indicators for shares and the capital

No	The title of the indicator	Calculation of the indicator	Period	
			2008	2007
1	Net profit for 1 share	<u>The net result of the reporting cycle.</u> Number of shares.	-0.24	-0.25
2	Indicator of payouts	<u>The general sum of the paid dividends.</u> The net result of the reporting cycle.	0.000	0.00

### Securities

On 14th January, 2008 the statutes of the Company with the increased authorized capital were registered in the registry of the Legal entities. The authorized (signed) capital of the Company after the increase is 24.814.720 Lt.(71868740 eur). The capital is divided into 24 814 720 ordinary nominal shares. The nominal value of every share is 1 Lt. All shares are completely paid-up. Ordinary nominal shares of AB "Gubernija" are on the list of the current market of NASDAQ OMX Vilnius vertybinių popierių birža ("Vilnius bourse") (enlisted on September 13, 2004). Sales of the shares of the Company during the year 2004- 2008 take place in "Vilnius vertybinių popierių birža" ("Vilnius bourse"). There no other bourses which sell shares of AB GUBERNIJA.

AB GUBERNIJA did not buy its own shares during the reporting cycle.

### History of stocks' sales

Indicator	2004	2005	2006	2007	2008
The price at opening	5,20	0	1,45	1,19	1,18
The highest price	8,70	7,55	1,70	2,31	1,19
The lowest price	5,20	0,73	0,84	0,90	0,37
The latter price	7,90	1,45	1,19	1,19	0,42
Turnover( in units)	217417	12936562	3287841	3002289	184244
Turnover, million	1,62	19,42	5,06	4,78	0,15
Capitalization	17,21	31,59	25,93	25,93	9,15

AB "Gubernija" and AB FMĮ "Finasta" (Konstitucijos avėniu 23, Vilnius) made an agreement on keeping records of the securities which had been issued by the Company, preparation of the periodical reports, and rendering of other services.

The total number of the shareholders is 288.

On December 31, 2008 shareholders owned more than 5 % of the issuer authorized capital

Name, surname of the shareholder/ a company, the address of the seat, the code	Number of owned shares, in units	A possessed part of the authorized capital, in percent	A part of votes granted, in percent	A part of votes belonging to people working in cooperation, in percent
VITAS TOMKUS	LT0000114357 PVA 7297223	29,41	29,41	39,36
UAB „RESPUBLIKOS“ SPAUSTUVĖ, A. Smetonos g. 2, Vilnius, the code of the company is 124250999	LT0000114357  PVA 2 469 200	9,95	9,95	
LARISA AFANASEVA	LT0000114357 PVA 2590110	10,44	-	On March 21, 2007 a right to vote was alienated to UAB „Respublikos“ printing-house for two years till March 22, 2009.
TAKHIR SHABAEV	LT0000114357  PVA 1 310 160	5,27	-	On March 21, 2007 a right to vote was alienated to UAB „Respublikos“ printing-house for two years till March 22, 2009
ROMUALDAS DUNAUSKAS	LT0000114357 PVA 2870090 LT0000127615 PVA 790441 In total:3660531	14,75	14,75	39,91
VIOLETA DUNAUSKIENĖ	LT0000114357 PVA 98940 LT0000127615 PVA 27249 In total:126189	0,51	0,51	
LINA DUNAUSKAITĖ	LT0000114357 PVA 11 740 LT0000127615 PVA 3233 In total:14973	0,06	0,06	

UAB „LINOS NAMAI“, Vilniaus g. 166, Šiauliai, the code of the company is 300038452	LT0000114357 PVA1369039 LT0000127615 PVA1448828 In total:2815867	11, 34	11, 34
JAVELIN FINANCE, Siute 4, 41 Lower Baggot Street, Dublin, Ireland, the code of the company is 221234	LT0000114357 PVA 2 696 480 LT00001275 PVA593738	13, 25	13, 25

The shareholders of AB “Gubernija” do not have any special rights of control.

On April 17, 2008 AB “Gubernija” received a report from Mr. Vitas Tomkus and UAB “Respublikos spaustuvė” about the loss of the voting rights, and a report from Mr. Povilas Stumbrys about the acquisition of the voting rights. On December 15, 2008 AB “Gubernija” received a report from Mr. Vitas Tomkus and UAB “Respublikos spaustuvė” about the acquisition of the voting rights, and a report from Mr. Povilas Stumbrys about the loss of the voting rights. The reason of exceeding the declared limit are discontinued agreements of December 9, 2008 about the contract for April 16, 2008 to surrender voting rights.

#### Employees

On December 31, 2008 there were 231 employees in the Company (on December 31, 2007 there were 270 employees). There are not any set special rights, duties and compensations undoing the labour contracts for the issuer employees mentioned in the labour contracts.

Employ- ees	The average number on the lists			Education												The average salary, Litas		
				high			vocational			secondary			Uncompleted secondary					
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
Managers	7	7	6	7	7	6										7717	7344	9337
Specialists	80	83	74	32	32	24	46	44	44	2	4	6				2172	2228	2192
Workers	195	180	151	2	1	1	26	20	16	164	145	124	20	14	10	1436	1627	1864

The alternation of the statutes of AB “Gubernija” is set in the statutes of the issuer. Statutes of the joint- stock companies: “ 6.2 A competence set in the the Law on Joint-stock companies of the Republic of Lithuania for the general shareholders’ meeting allows to alter the statutes of the Company (except the cases declared in the Laws on the joint- stock companies).

AB “Gubernija” has a general shareholders’ meeting and a sole body of governing- The manager of the Company (The General Manager), and a collegial body of governing- the Board, the council of observers in the Company is not formed. The Board is elected for a period of 4 years by the general shareholders’ meeting. 5 members form the Board of the Company. The Board of the Company

elects, recalls, fires, sets his salary, approves official regulations, encourages, and penalizes the Manager of the Company.

### Members of administrative bodies

#### Members of administrative bodies of the Company

Name, surname, the code of the person	Duties	Sums of money calculated in Litas, 2008	Sums of money calculated in Litas 2007
<b>THE BOARD SINCE APRIL 6, 2007</b>			
Vytautas Liubinas	The Chairman of the Board since April 6, 2008 till the general shareholders' meeting in the year 2011	2943	9565
Romas Bubnelis	The member of the Board since April 6, 2008 till the general shareholders' meeting in the year 2011	-	-
Nijolė Veršinskiene	The Deputy chairman of the Board since April 6, 2008 till June 11, 2007	-	-
Romualdas Dunauskas	The member of the Board since April 6, 2008 till the general shareholders' meeting in the year 2011	-	-
Lina Dunauskaitė.	The member of the Board since April 6, 2008 till the general shareholders' meeting in the year 2011	-	-
Diana Veleckienė	The member of the Board since April 6, 2008 till the general shareholders' meeting in the year 2011	4414	14347
<b>The management of the Company</b>		<b>Sums of money calculated in Litas, 2008</b>	<b>Sums of money calculated in Litas 2007</b>
	Romualdas Dunauskas	-	245363
	Algirdas Gumauskas	8082	159717
	Romas Bubnelis	48555	134654

Vitalija Ramanauskienė	The member of the Board from 06th April 2007 till now	78543	98009
Povilas Stumbrys	The member of the Board from 11th June 2007 till now	134954	-

The Board of the Company is elected on April 6, 2007 for the tenure of four years till the ordinary general shareholders' meeting. There were no guarantees granted or ceded assets to the Board and the members of the management.

It is not known about the agreements, the party of which the issuer is and which would become validated, alter, or discontinued due to the change of the issuer's control.

There were no agreements supposing compensations because of the resignation, dismissal of the issuer, its members, or employees, or the end of the work.

#### *Plans and forecasts of the activities*

In the year 2009, the Company plans to make new products, increase the assortment of soft drinks and the offer of these products. 2-3 new types of beer will be presented to the inner market of beer and especially big attention will be paid to the export to countries not belonging to the European Union. Also to increase competitive abilities of the Company using inner resources of the Company.

The main aim of the Company is to restore its own capital, to maintain and restore former positions in the market of beer, to increase the amounts of beer sales, using various means decrease expenses for producing, sales and administration, to rebuild the loss of the current assets.

The Company did not perform any activities in the sphere of the research and development

#### *Possibilities of the economy subject to continue its activities*

If the Company could rektore the circulating assets, it could continue its activities. A reduced number of employees, the reduced prices for malt, the decreasing prices for gas and containers enable to suppose that it is possible to reduce the production cost price and production expenses significantly. Increasing the assortment and organizing processes of sales encouragement and marketing properly it is possible to achieve the growth of sales of the production and generation of bigger incomes.

#### *Important events after the end of the financial year*

Due to the demand of the production and the complicated financial situation since January 9, 2009 The Company works four days a week.

The request of the general manager of the Company Povilas Stumbrys to recall him from the duties of the general manager of the Company was satisfied on February 2, 2009. Mrs Diana Zeleckiene was elected as the general manager at interim till a new general manager will be appointed.

Under the decision of the board on February 12, 2009 at 1pm a the second uncommon meeting of the shareholders was held.

On February 3, 2009 AB "Gubernija" received a note from the Hypothec department of Šiauliai circuit court about the possibility of the creditor UAB "Durpa" to exact the debt for the sold malt.

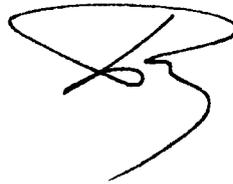
On February 12, 2009 the district court of Vilnius forbade to held an uncommon meeting of the shareholders of AB "Gubernija" till March 21, 2009 without a separate permission of the court.

After preparation of the interim unaudited financial accountability for the year 2008 of AB "Gubernija" it became clear that under the data of December 31, 2008 the private capital of AB "Gubernija" became smaller than ½ of the authorized capital amount stated in the statutes. The management and the board of the Company have been informed about the current situation and have to make decisions to rectify the situation in three months.

On March 23, 2009 AB "Gubernija" and AB Ūkio bankas signed a contract about giving a credit of two million litas. The term of the credit validity is until September 23, 2009. The assets of the Company are mortgaged for the credit. A part of the credit will be used to pay the debt for malt of AB "Gubernija" to the supplier UAB "Durpa".

In the year 2009 the Company began producing new products: beer "Grand" 5, 9 %, "Gubernijos anno 1665", "Gubernijos apple kvass", and "Valstiečių kvass". It is planned to develop significantly the assortment of soft drinks in future. The aim of the Company in the inner market of beer is to return to a former part of Lithuania beer market. To pay a special attention to the development of the export for all kinds of the production.

General manager at interim



Diana Veleckienė

The form of the disclosure about following the Governance code for the companies, stocks of which are traded in the regulated market

The joint-stock company *AB "Gubernija"*, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance:

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p><b>Principle I: Basic Provisions</b></p> <p><b>The overriding objective of a company should be to operate in common interests of all the shareholders by permanent optimizing the value of the shareholders' property.</b></p>		
<p>1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.</p>	<p>Yes</p>	<p>The Company aims to have to 10% of the beer market, to export to 20% of beer, to increase the production of soft drinks for inner and foreign markets: detailed comments about the strategy and goals are in the website of the Company in the column "To investors".</p>
<p>1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.</p>	<p>Yes</p>	<p>By the decision of the board of the Company the development plan for soft drinks and managing actions for export were affirmed. <b>The actions of the board are directed to assure funding opportunities.</b></p>
<p>1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.</p>	<p>Yes</p>	<p>The chairman of the board and the General manager are in a close cooperation; therefore a more conventional way of management ensures operate strategic actions and the level of responsibility. The board together with the General manager is very dynamic and the decisions are objectively real.</p>
<p>1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.</p>	<p>Yes</p>	<p>Traditions of the product, which is being produced for centuries constantly convey attitudes of humanity and respect. The board of the Company, managers and other principal staff naturally and consonantly represent interests of the Company and the product. The development of the brand of the Company obliges more than any bureaucratic recommendations.</p>
<p><b>Principle II: The governance framework of the Company</b></p> <p><b>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance, and distribution of functions among the company's bodies, protection of the shareholders' interests.</b></p>		

<p>2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.</p>	Yes	<p>A general shareholders' meeting, the board, and the chief executive officer are the company's management bodies. The supervisory board is not set up.</p>
<p>2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.</p>	Yes	<p>The General manager and the board perform basic functions of management in the Company.</p>
<p>2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.</p>	No	<p>The supervisory board is not set up.</p>
<p>2.4. The collegial supervisory body elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. If a company decides not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should be applied to the board as long as that does not contradict the essence and purpose of this body.<sup>1</sup></p>	No	
<p>2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or a small group of individuals can dominate in the decision-making on the part of these bodies.<sup>2</sup></p>	Yes	<p>A general shareholders' meeting elected a board of 5 members for the period of four years. The number of members is sufficient because there are specialists from different spheres.</p>

<sup>1</sup> Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board, should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself. Item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

<sup>2</sup> Definitions 'executive director' and 'non-executive director' are used in cases when a company has only one collegial body.

<p>2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.</p>	Yes	The tenure of the board members is 4 (four) years.
<p>2.7. A chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company decides not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. The former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	No	The chairman of the board of the Company and the General manager is not the same person.
<p><b>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</b></p> <p><b>The order of the formation a collegial body elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.<sup>3</sup></b></p>		
<p>3.1. The mechanism of the formation of a collegial body elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	Yes	While a general shareholders' meeting is offered candidates to the board, information about every candidate is provided.

<sup>3</sup> Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.

<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should also be disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on the yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	Yes	The board operates according to the regulation of the Board.
<p>3.3. When a person wants to be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order, shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should disclose the information on its composition and particular competences of individual members, which are relevant to their service on the collegial body in its annual report.</p>	Yes	Members of the board and other specialists have all opportunities to participate in seminars and conferences to raise their qualifications.
<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, opinions and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting, and/or audit for the stock exchange listed companies.</p>	Yes	All conditions are offered to the members of the board and other specialists to raise their qualifications, acquire diverse knowledge, opinions, and experience to complete their tasks properly.
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, a corporate organization, and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>		

<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient<sup>4</sup> number of independent<sup>5</sup> members.</p>	Yes	There is a sufficient number of independent members in the board of the Company.
<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when a member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies, the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> <li>1) He/she is not an executive director or a member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;</li> <li>2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;</li> <li>3) He/she is not receiving or has been not receiving significant additional remuneration from the company or an associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based on pay systems; it does not include compensation payments for the previous office in the company (provided that such</li> </ol>		

<sup>4</sup> The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a large number of independent members in a collegial body is encouraged and will constitute as an example of more suitable corporate governance.

<sup>5</sup> It is notable that in some companies all members of the collegial body, due to a very small number of minority shareholders, may be elected by the votes of the majority shareholder or a few major shareholders. However, even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

<p>payment is no way related with a later position) as per pension plans (inclusive of deferred compensations);</p> <p>4) He/she is not a controlling shareholder or a representative of a such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part I);</p> <p>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, a shareholder, a director or a superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or a service provider (inclusive of financial, legal, counseling and consulting services), a major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, a partner or an employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or a member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is a non-executive director or a member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. A close relative is considered to be a spouse (common-law spouse), children, and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence</p>		
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laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.		
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body are considered as independent.		
3.10. When one or more criteria of independence set out in this Code have not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.		
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. <sup>6</sup> The general shareholders' meeting should approve the amount of such remuneration.	No	Not applicable because it is not remunerated from the company's funds.
<p><b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b></p> <p>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring<sup>7</sup> of the company's management bodies and protection of interests of all the company's shareholders.</p>		

<sup>6</sup> It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

<sup>7</sup> See Footnote 3.

<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies, monitor and control the company's management performance.<sup>8</sup></p>	Yes	The annual financial integrity / accountability and the project of the profit share are discussed and confirmed by the board.
<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and the public welfare. Independent members of the collegial body should: a) maintain independence of their analysis, decision-making and actions under all circumstances (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections if suppose that the decision of the collegial body is against the interests of the company. When a collegial body have passed decisions the independent member has serious doubts about, the member should make adequate conclusions. If an independent member resigns from his office, he should explain the reasons in a letter addressed to the collegial body or the audit committee and, if necessary, a respective company-not-pertaining body (institution).</p>		Not applicable.
<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular, any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half<sup>9</sup> of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>		Not applicable.
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are informed properly on the company's affairs, strategies, risk management, and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	Yes	The clear order of communication with the shareholders is provided in the regulation of the activities of the Company.

<sup>8</sup> See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

<sup>9</sup> It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute as an example of the more suitable corporate governance.

<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	Yes	Decisions about significant contracts are made by the board.
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies<sup>10</sup>. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative, and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent and legal accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.</p>		Not applicable.
<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control, and assessment of the company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However, they may decide to merge these functions and set up less than three committees. In a such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. If the collegial body of the company comprises a small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that</p>	No	There are no committees in the Company due to a small number of specialists and officials, and it would be beside the purpose.

<sup>10</sup> In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

<p>adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>		
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on the creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>		
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with a small number of members of the collegial body, they could exceptionally be composed of two members. The majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that the committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>		

<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with the authority delegated to them and inform the collegial body on their activities and performance on the regular basis. The authority of every committee stipulating the role and rights, and duties of the committee should be made public at least once a year (as a part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, a number of meetings and attendance over the year, and their main activities. The audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>		
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. The chairman of each committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>		
<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> <li>• Identify and recommend for the approval of the collegial body candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. The nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;</li> <li>• Assess on the regular basis the structure, size, composition, and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;</li> <li>• Assess on the regular basis the skills, knowledge, and experience of individual directors and report on this to the collegial body;</li> <li>• Properly consider issues related to succession planning;</li> <li>• Review the policy of the management bodies for selection</li> </ul>		

<p>and appointment of senior management.</p> <p>4.12.2. The nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, the chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>		
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ol style="list-style-type: none"> <li>1. Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;</li> <li>2. Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;</li> <li>3. Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</li> <li>4. Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</li> <li>5. Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</li> </ol>		

4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:

1. Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;
2. Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;
3. Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.

4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.

#### 4.14. Audit Committee.

4.14.1. Key functions of the audit committee should be the following:

1. Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);
2. At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;
3. Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment, and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. If there is no internal audit authority in the company, the need for one should be reviewed at least annually;
4. Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;
5. Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by

the committee, and (c) permissible without referral to the committee;

6. Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.

4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.

4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, the chief executive officer of the company, the chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.

4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose, the audit committee should act as the principal contact person for the internal and external auditors.

4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with the report disclosing all relationships between the independent auditor and the company, and its group. The committee should be timely furnished with information on all issues arising from the audit.

4.14.6. The audit committee should examine whether the company follows applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for the

<p>proportionate and independent investigation of these issues, and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the evaluation of its activities. The assessment should include evaluation of the collegial body's structure, work organization and an ability to act as a group, evaluation of each of the collegial body member's and committee's competence, and work efficiency and assessment, whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>		
<p><b>Principle V: The working procedure of the company's collegial bodies</b></p> <p><b>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</b></p>		
<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by the chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the convening meeting and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>		

<p>5.2. It is recommended to carry out the meetings of the company's collegial bodies according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month<sup>11</sup>.</p>	Yes	The company is free to decide how often to convene meetings of the board. Under the necessity, an extraordinary meeting of the board is being convened.
<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure a useful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require an immediate resolution.</p>		The agenda of the meeting is submitted to the members of the board one week before.
<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability, or remuneration are discussed.</p>		Dates and agendas of the meetings are coordinated.
<p><b>Principle VI: The equitable treatment of shareholders and shareholder rights</b></p> <p><b>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</b></p>		
<p>6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.</p>	Yes	<i>Ordinary nominal shares that make the authorized capital of the Company grant equal rights to the owners of the shares.</i>

<sup>11</sup> The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The complete information about the shares that are being issued is provided in the shareholders' meeting. The substantial event is announced in the press.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. <sup>12</sup> All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	Transactions that are important to the Company including approval of transactions referred to is approved by the board.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to participate effectively at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	The statutes of the Company determine to whom and in what way information is being provided.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance <sup>13</sup> . It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	Documents on the course of the general shareholders' meeting, including draft resolutions of the meeting are announced in the website of the Company in advance.

<sup>12</sup> The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-term assets accounting for more than 1/20 of the company's authorized capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

<sup>13</sup> The documents referred to above should be placed on the company's website in advance with due regard to a 10-day period before the general shareholders' meeting, determined in paragraph 7 of Article 26 of the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574).

6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The shareholder can participate in the shareholders' meeting in person, by the deputy if the person has proper authorization or whether an assignation contract of voting rights is signed, or can vote by post.
6.7. With a view to increase the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand the use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases, the security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	There are no possibilities to apply modern technologies and telecommunication equipment for shareholders to vote in the shareholders' meeting yet.
<p><b>Principle VII: The avoidance of conflicts of interest and their disclosure</b></p> <p><b>The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</b></p>		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The members of the board follow these recommendations and do not participate in voting and making decisions when personal interests are involved.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.		

<p>7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.</p>		
<p>7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.</p>	Yes	Recommendations are being followed.
<p><b>Principle VIII: Company's remuneration policy</b></p> <p><b>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</b></p>		
<p>8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.</p>	Yes	Concise information is provided in the annual report.
<p>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p>		
<p>8.3. Remuneration statement should leastwise include the following information:</p> <ol style="list-style-type: none"> <li>1. Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>2. Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>3. Sufficient information on the linkage between the remuneration and performance;</li> <li>4. The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>5. A description of the main characteristics of supplementary pension or early retirement schemes for directors.</li> </ol>		

<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods, and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>		
<p>8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names, and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.</p>		
<p>8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p>		
<p>8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.7.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ol style="list-style-type: none"> <li>1. The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;</li> <li>2. The remuneration and advantages received from any undertaking belonging to the same group;</li> <li>3. The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;</li> <li>4. If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;</li> <li>5. Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;</li> <li>6. Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ol> <p>8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ol style="list-style-type: none"> <li>1. The number of share options offered or shares granted by the company during the relevant financial year and their</li> </ol>		

<p>conditions of application;</p> <p>2. The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;</p> <p>3. The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;</p> <p>4. All changes in the terms and conditions of existing share options occurring during the financial year.</p> <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <p>1. When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</p> <p>2. When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.</p> <p>8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of the share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case, shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>		

<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ol style="list-style-type: none"> <li>1. Grant of share-based schemes, including share options, to directors;</li> <li>2. Determination of a maximum number of shares and main conditions of share granting;</li> <li>3. The term within which options can be exercised;</li> <li>4. The conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>5. All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms.</li> </ol> <p>Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>		
<p>8.10. If the national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>		
<p>8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which have been approved in the shareholders' annual general meeting.</p>		
<p>8.12. Prior to the annual general meeting that intends to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve, or issue new ones. There should also be a summary on scheme-related expenses, which the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p>		

**Principle IX: The role of stakeholders in corporate governance**

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.

9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company’s share capital; creditor involvement in governance in the context of the company’s insolvency, etc.

9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.

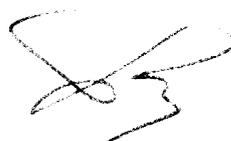
**Principle X: Information disclosure and transparency**

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

<p>10.1. The company should disclose information on:</p> <ol style="list-style-type: none"> <li>1. The financial and operating results of the company;</li> <li>2. Company objectives;</li> <li>3. Persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>4. Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;</li> <li>5. Material foreseeable risk factors;</li> <li>6. Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;</li> <li>7. Material issues regarding employees and other stakeholders;</li> <li>8. Governance structures and strategy.</li> </ol> <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p> <p>10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p> <p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	Yes	All information is provided in the website of the Company.
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	Yes	The recommendations are followed.

<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>		
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>		
<p><b>Principle XI: The selection of the company's auditor</b></p> <p><b>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</b></p>		
<p>11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.</p>	Yes	An independent firm of auditors conducts an audit of the Company's financial statements and the annual report.
<p>11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.</p>	Yes	The competition for conducting of the audit is being announced. The offers are discussed in the board, the decision is made and the candidate audit firm is presented to the general shareholders' meeting.
<p>11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. The company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting should know this information..</p>	Yes	All information about the audit firm is given to the shareholders.

/The deputy of the General Manager



Diana Veleckiene